

Income Tax Act

is any need to do that. I simply wish to state the position and point out that the government will be held answerable on these matters at another time and perhaps in another place. My view as to the radical solution which is necessary to provide stability and confidence is well known, and I simply state this for the record tonight, not, as I say, in order to be argumentative on this point.

Since the summer of 1965, at least, the government has been talking about the danger of inflation. It was referred to in the budget of March, 1966, in the so-called mini-budget of September, 1966, the budget of June, 1967, the so-called mini-budget of November, 1967 and the budget speech of March, 1968. The problem is—and I say this simply by way of background to the discussion on the resolution now before the committee—that on each of the four occasions to which I have referred, when we were warned against inflation the minister introduced seemingly one consistently proposed remedy, namely an increase in taxation. These successive tax increases in the past couple of years have been presented as anti-inflationary but they have been more than matched by increases in government spending. Only last June the minister presented a budget involving a forecast deficit of about \$740 million, with increased government spending in the order of 20 per cent. The increases in taxation which have taken place have not been anti-inflationary in effect; they have not controlled inflation. The consumer price index rose by 4.6 per cent in 1966 and by about 4.5 per cent in 1967. It is little wonder that when the government came to parliament a few weeks ago with proposals for yet another increase while, it seemed to us, failing to produce effective policies of restraint and leadership, the opposition voted against the measure and defeated it.

I think that is particularly true in view of the fact that the levelling off in the economy had already reached serious proportions. Private investment was lagging; the growth rate was sluggish—about half the rate regarded as essential by the economic council—and unemployment amounted to at least 464,000 jobless for a seasonally adjusted rate of 4.4 per cent of the labour force. In addition, of course, this unemployment and the conditions I have described weigh with particular heaviness on certain sections of the country, including areas of relatively slow growth, though they are not confined to those areas. We were convinced that the 5 per cent surcharge proposed in the so-called mini-budget

was unsuitable to the needs of the economy. It seemed to us that it might well have added to inflation. It would certainly have had a depressing effect on the economy resulting in an increase in unemployment and a continued lag in the growth rate.

The Minister of Finance is now proposing two new measures of particular concern to the committee. One involves proposed increases in taxation. The second proposes cuts in expenditures amounting to \$75 million—I understand it is proposed to “freeze” employment in the public service. The third proposal involves the establishment of a board to review increases in prices and costs.

With regard to the third proposal, I have certainly urged for some time that the government take the initiative in encouraging restraint throughout the economy. I believe, and I have said so repeatedly, that such a program is necessary to supplement monetary and budgetary policy if we are to have reasonably full employment and reasonably stable prices.

Some hon. Members: Hear, hear.

Mr. Stanfield: I hope I shall be able to support and approve the measures being taken by the Minister of Finance in this regard, but of course I shall need to know a great deal more about them than I do at the present time. I look forward with great interest to learning more details about what the Minister of Finance and the government have in mind in this connection.

As to the second matter to which I referred, involving cuts in the estimates to the extent of \$75 million in a budget of around \$10 billion, I simply make the comment that I do not think the people of Canada or the financial community will find this particularly impressive.

Some hon. Members: Hear, hear.

Mr. Stanfield: As the Minister of Finance told us this evening, it is proposed to adopt a 3 per cent surcharge on personal incomes which is estimated to produce in the next fiscal year some \$105 million in additional revenue, in addition to a 3 per cent surcharge on corporation tax which the minister has told us is estimated to produce about \$45 million in the next fiscal year.

I have been studying these measures very carefully during the day in the context in which they have been put forward. In so far as they are regarded as measures related to